

Abstract

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Pegging the Egyptian Pound To a Pasket of Currencies and its Impact on Exports : An Econometric Study

The thesis aims to examine if pegging the Egyptian pound (EGP) to the US dollar (dollar) strengthens the competitive position of Egyptian exports in Egypt's principal commercial partners' markets. To achieve that goal, the thesis studies the geographical distribution of Egyptian foreign transactions in an attempt to break up pegging the EGP to the dollar; then, it determines the basket of currencies that would presumably strengthen the competitive position of Egyptian exports in its commercial partners' markets. The thesis ends up by establishing an econometric model for the demand on Egyptian exports. This model includes the deviation of the exchange rate pegged to the dollar from that pegged to a basket of currencies as an independent variable to study the real effect of the existence of such deviation on exports from 1991 till 2002. The thesis deduces that although Egypt's international transactions were not concentrated with the United States other countries that use US dollar - which supports adopting a basket peg, the econometric model shows that pegging the EGP to the dollar rather than a basket of currencies didn't have a remarkable negative impact on Egyptian exports because the latter is inelastic to the change in exchange rates. But the efforts; attempts to develop, diversify; enhance the quality of the Egyptian exports are expected to increase the elasticity of demand for the Egyptian exports. Accordingly, pegging the EGP to a basket of Egypt's commercial partners' currencies rather than to the dollar is a necessity to strengthen the competitive position of Egyptian exports in its partners' markets.